



**Health Services**  
LOS ANGELES COUNTY

Los Angeles County  
Board of Supervisors

June 4, 2010

**Gloria Molina**  
First District


**Mark Ridley-Thomas**  
Second District

**Zev Yaroslavsky**  
Third District

**Don Knabe**  
Fourth District

**Michael D. Antonovich**  
Fifth District

TO: Each Supervisor

FROM: John F. Schunhoff, Ph.D.   
Interim Director

SUBJECT: **NOTIFICATION OF THE DEPARTMENT OF HEALTH SERVICES' USE OF DELEGATED AUTHORITY TO EXECUTE AN AMENDMENT WITH MCKESSON HEALTH SOLUTIONS, LLC**

**John F. Schunhoff, Ph.D.**  
Interim Director

**Gail V. Anderson, Jr., M.D.**  
Interim Chief Medical Officer

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[www.dhs.lacounty.gov](http://www.dhs.lacounty.gov)

This is to inform you that the Department of Health Services (DHS) is exercising its delegated authority approved by your Board on September 8, 2009 (attached), to execute Amendment No. 3 to the Community Health Plan's Nurse Advice Line and Disease/Care Management Services Agreement with McKesson Health Solutions, LLC. The purpose of this Amendment is to include additional language as requested by the Department of Managed Health Care. All other terms and conditions of the Agreement remain unchanged.

County Counsel and the Chief Executive Office have reviewed and approved the Amendment as to use and form.

*To improve health  
through leadership,  
service and education*

If you have any questions or need additional information, please let me know.

JFS:ls

Attachment

c: Chief Executive Office  
County Counsel  
Executive Office, Board of Supervisors

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September 8, 2009

Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

**AMENDMENT TO NURSE ADVICE LINE AND DISEASE/CARE  
MANAGEMENT SERVICES AGREEMENT  
(ALL SUPERVISORIAL DISTRICTS)  
(3 VOTES)**

**SUBJECT**

Request approval to amend an agreement for the provision of Nurse Advice Line, complex case management, disease management, and Wellness Program services to the Department of Health Services (DHS or Department) Community Health Plan (CHP).

**IT IS RECOMMENDED THAT YOUR BOARD:**

1. Authorize the Interim Director of Health Services, or his designee (Interim Director), to execute Amendment No. 1 to Agreement No. H-703016, with McKesson Health Solutions, LLC (McKesson), effective upon Board approval, to revise the contract language required by the State Department of Managed Health Care (DMHC), and effective May 1, 2009 to reduce the rates for the Nurse Advice Line and suspend the underutilized Wellness Program.
2. Delegate authority to the Interim Director to execute future amendments to the Agreement with McKesson, including: a) suspend or terminate underutilized or ineffective contracted services; b) revise or incorporate provisions consistent with the related funding agreement, such as State laws and regulations, National Committee for Quality Assurance accreditation requirements, County Ordinance, and Board policy; c) make appropriate changes to the Agreement to improve operational efficiencies, add clarity, and/or correct errors and omissions; and d) adjust rates to achieve further cost savings for the County, subject to prior review and approval by County Counsel and the Chief Executive Office, with notification to your Board.

**ADOPTED**

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

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SEPTEMBER 8, 2009

SACHI A. HAMAI  
EXECUTIVE OFFICER

### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS**

Approval of the first recommendation will allow the Interim Director to execute an Amendment, substantially similar to Exhibit I, to make several changes to the current Agreement.

As a Knox-Keene licensed health plan, CHP is required to submit health care and administrative support service agreements to DMHC for its review and approval. The DMHC requires the McKesson Agreement be amended to include contract language changes related to: 1) access to records; 2) monitoring of McKesson personnel and services to ensure compliance with regulatory standards; 3) disclosure of Health Insurance Portability and Accountability Act (HIPAA) security incidents; 4) handling of Protected Health Information; 5) grievance reporting; and, 6) record keeping. The revisions required by the DMHC set forth in the Amendment do not change services or cost and are regulatory in nature.

Additionally, the recommended Amendment will allow CHP to obtain a 14.1 percent volume discount for the heavily utilized Nurse Advice Line service, and suspend an underutilized web-based Wellness Program. As a health maintenance organization, CHP routinely reviews the cost-effectiveness of its agreements and identified opportunities to obtain lower costs in the McKesson Agreement after reviewing utilization trend reports. Trend analysis indicated the Nurse Advice Line service was heavily utilized, prompting CHP to seek the volume discount. Comparatively, the Wellness Program was virtually not accessed by CHP members and CHP requested McKesson to discontinue those services and associated charges effective May 1, 2009. After initial consultations with County Counsel and successful re-negotiation of these terms with McKesson, CHP planned to amend the Agreement under the Department's delegated authority. However, after further discussions with the Chief Executive Office (CEO) and County Counsel, it was determined that the Nurse Advice Line volume discount and suspension of the Wellness Program required your Board's approval.

Approval of the second recommendation will delegate authority to the Interim Director to enable CHP to make future changes to the Agreement to reduce costs and make necessary regulatory changes as requested from oversight agencies, contingent upon County Counsel and CEO approval, with notification to your Board.

### **Implementation of Strategic Plan Goals**

The recommended actions support Goal 1, Operational Effectiveness, of the County's Strategic Plan.

### **FISCAL IMPACT/FINANCING**

This recommended Amendment will allow for an estimated cost savings of \$36,686 per month as a result of the suspension of the Wellness Program. The reduction in costs

for the Nurse Advice Line service will result in an estimated monthly savings of \$4,740. Fiscal Year (FY) 2008-09 actual savings is \$82,852; and the FY 2009-10 and annually thereafter is \$497,112. FY 2009-10 may reflect this savings in the Supplemental Budget Resolution budget request.

**FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

On November 27, 2007, your Board approved Agreement No. H-703016 with McKesson for the provision of nurse advice line, complex case management, disease management, and wellness program services to Coverage Initiative (Healthy Way LA or HWLA), enrollees and/or CHP members, through January 31, 2011.

The proposed Amendment contains language to specifically allow the DMHC the right to review and monitor the contractor's programs, policies, procedures, and financial or other records including through on-site access to McKesson's records. Additionally, the HIPAA language regarding reporting security incidents and disposition of protected health information upon termination or expiration of the Agreement has been strengthened at DMHC's request.

Exhibit I has been approved as to form by County Counsel.

**CONTRACTING PROCESS**

Not applicable.

**IMPACT ON CURRENT SERVICES (OR PROJECTS)**

Approval of the recommended actions will achieve cost-savings for the County, and enable continued compliance with CHP's oversight agencies.

Respectfully submitted,



John F. Schunhoff, Ph.D.  
Interim Director

JFS:ss

Attachment

c: Chief Executive Officer  
Acting County Counsel  
Executive Officer, Board of Supervisors  
McKesson BL